INVESTOR AWARENESS BULLETIN

WHAT EVERY INVESTOR NEEDS TO KNOW

SAVING AND INVESTING

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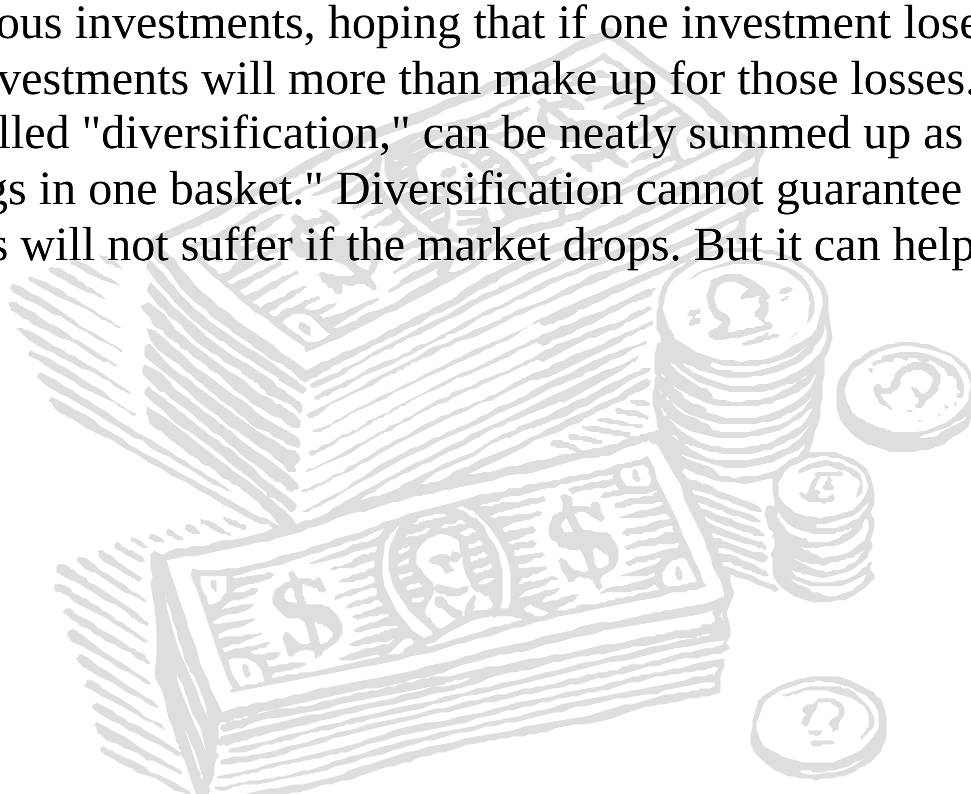
The Differences Between Saving and Investing

Savings is money retained in the safest places, or products, that allow you access to your money at any time. At some banks and savings & loan associations your deposits may be insured by the Federal Deposit Insurance Corporation (FDIC).

Most smart investors put enough money in a savings product to cover an emergency, like sudden unemployment. Some make sure they have up to six months of their income in savings so that they know it will absolutely be there for them when they need it.

Investing involves a greater chance of losing your money than when you "save." Unlike FDIC-insured deposits, the money you invest in securities, mutual funds, and other similar investments is not federally insured. You could lose your "principal"—the amount you have invested. But you also have the opportunity to earn money.

Investors protect themselves against risk by spreading their money among various investments, hoping that if one investment loses money, the other investments will more than make up for those losses. This strategy, called "diversification," can be neatly summed up as "Don’t put all your eggs in one basket." Diversification cannot guarantee that your investments will not suffer if the market drops. But it can help you balance risk.



What Are the Best Investments for Me?

If you are going to invest your money, you need to consider your investment options. The best option depends on when you will need the money, your goals, and if you will be able to sleep at night if you purchase a risky investment where you could lose your principal.

The main differences between stocks and bonds:

Bonds: The company owes you money and promises to return the money plus interest.

Risk: If the company goes bankrupt, your money may be lost. But if there is any money left, you will be paid before stockholders.

Stocks: You own an interest in the company. If the company profits, its stock may go up in value and pays dividends. You may make more money than from the bonds.

Risk: The company may do poorly, and you will lose a portion or all of your investment.

Why Some Investments Make Money and Others Do Not

You can make money in an investment if:

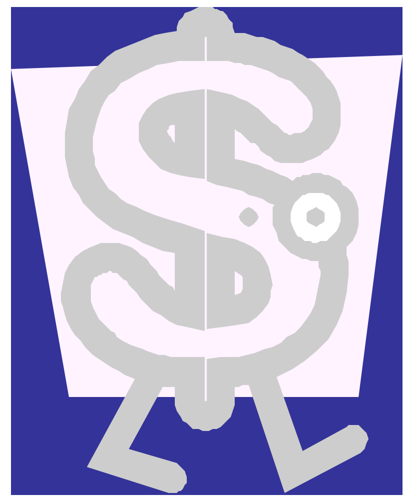
- The company performs better than its competitors.
- Other investors recognize it's a good company. When it comes time to sell your investment, others want to buy it.
- The company makes profits, meaning they make enough money to pay you interest for your bond, or maybe dividends on your stock.
- The people who run the business are honest, hardworking, and talented.

You can lose money if:

- The company's competitors are better than it is.
- Consumers don't want to buy the company's products.
- The company's officers fail at managing the business well, they spend too much money, and their expenses are larger than their profits.
- Other investors that you would need to sell to think the company's stock is too expensive given its performance and future outlook.
- The people running the company are dishonest: 1) They use your money to buy homes, clothes, and vacations, instead of using your money on the business, 2) They lie about any aspect of the business: claim past or future profits that do not exist, claim it has contracts to sell its products when it does not, or make up fake numbers for the finances to dupe investors.
- The brokers who sell the company's stock manipulate the price so that it doesn't reflect the true value of the company. After they pump up the price, these brokers dump the stock, the price falls, and investors lose their money.

Do I Need an Investment Professional?

If you decide to invest your money, you should consider whether you need assistance with your investment decisions. Are you the type of person who will read as much as possible about potential investments and ask questions about them? If so, maybe you don't need investment advice. But if you're busy with your job, your children, or other responsibilities, or feel you don't know enough about investing on your own, then you may need professional investment advice.



Investment professionals offer a variety of services at a variety of prices. It pays to comparison shop. You can get investment advice from most financial institutions that sell investments, including brokerage firms, banks, mutual funds, and insurance companies. You can also hire securities salesperson (sometimes called a broker), an investment adviser, an accountant, a financial planner, or other professional to help you make investment decisions.

Some financial planners and investment advisers offer a complete financial plan, assessing every aspect of your financial life and developing a detailed strategy for meeting your financial goals. They may charge you a fee for a plan, a percentage of your assets that they manage, or receive commissions from the companies whose products you buy, or a combination of these. You should know exactly what services you are getting, how much they will cost, and how your investment professional gets paid.

In contrast to investment advisers, brokers make recommendations about specific investments like stocks, bonds, or mutual funds. While taking into account your overall financial goals, most brokers do not give you a detailed financial plan. Brokers are generally paid commissions when you buy or sell securities through them.

Brokerage firms vary widely in the quantity and quality of the services they provide for customers. Some have large research staffs. Others specialize in particular types of companies; for example, companies that are new and have never been in business before.

A discount brokerage firm charges lower fees and commissions for its services than what you'd pay at a full-service brokerage firm. But generally you have to research and choose investments by yourself. A full-service brokerage firm generally costs more, but the higher fees and commissions presumably pay for a broker's investment advice based on the firm's research.

The best way to choose an investment professional is to know what type of services you need. Once you know that, ask your friends and colleagues who they recommend. Try to get several recommendations, and then arrange a face-to-face meeting. Make sure you get along. Make sure you understand each other. After all, it's your money.

Here are some questions you should ask when choosing an investment professional:

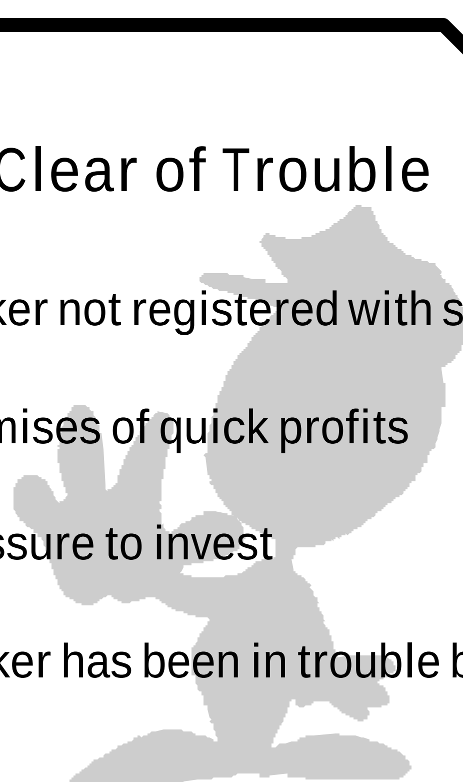
- What training and experience do you have?
- How long have you been in business?
- What is your investment philosophy?
- Do you take a lot of risks or are you more concerned about the safety of my money?
- Describe your typical client. Can you provide me with references, the names of people who have invested with you for a long time?
- How do you get paid? By commission? Amount of assets you manage? Another method?
- Do you get paid more for selling your own firm's products?
- How much will it cost me in total to do business with you?

Your investment professional should understand your investment goals, whether you're saving to buy a home, paying for your children's education, or enjoying a comfortable retirement. Your investment professional should also understand your tolerance for risk. How much money can you afford to lose if the value of one of your investments declines?

An investment professional has a duty to make sure that he or she only recommends investments that are suitable for you, investments that make sense for you based on your other securities holdings, your financial situation, your means, and any other information that your investment professional thinks is important.

The best investment professional is one who fully understands your objectives and matches investment recommendations to your goals. You'll want someone you can understand, because your investment professional should teach you about investing and investment products.

Steer Clear of Trouble



Stop:	Broker not registered with state or SEC
Beware:	Promises of quick profits
Watch Out:	Pressure to invest
Danger:	Broker has been in trouble before

Make a Financial Plan

To assist in your investment decisions, you should create a financial plan. What are the things you want to save and invest for?

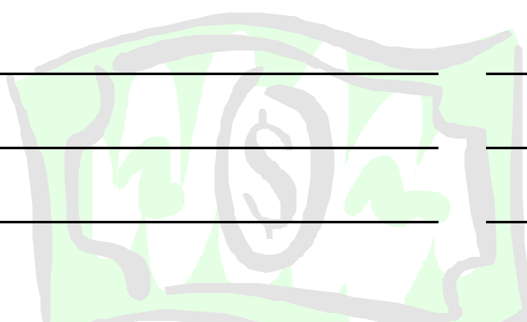
- a home
- a car
- an education
- a comfortable retirement
- a vacation
- medical or other emergencies
- periods of unemployment
- caring for parents

List your most important goals first. Decide how many years you have to meet each specific goal, because when you save or invest you'll need to find a savings or investment option that fits your time frame for meeting each goal.

Many tools exist to help you put your financial plan together. For example, the *Ballpark Estimate*, a single-page worksheet created by the American Savings Education Council, can help you calculate what you'll need to save each year for retirement. And *The Consumer's Almanac*, published by the American Financial Services Association Education Foundation, guides you step-by-step as you organize your finances, plan for the future, and learn to manage your credit.

You can get these publications—and many more—by calling toll-free at (800) SEC-0330 and ordering a free "Financial Facts Tool Kit." Also, visit the Securities Division's website at: **www.ccsd.cc.state.az.us.**

Step 1: What do you want to save or invest for?   By when?



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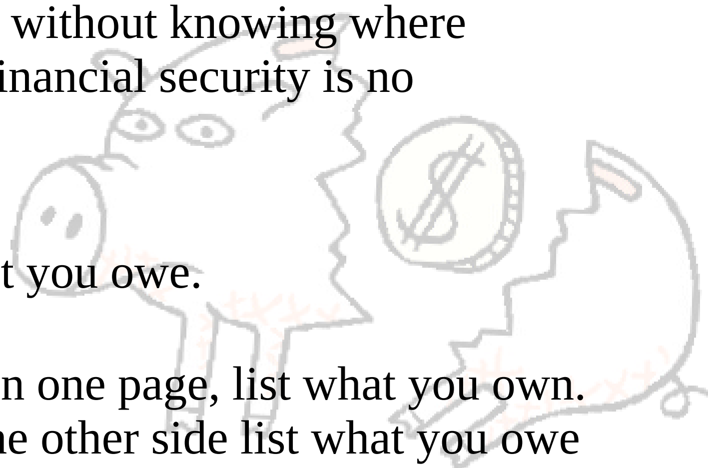
Know Your Current Financial Situation



Step 2: Sit down and take an honest look at your entire financial situation. You can never take a journey without knowing where you're starting from, and a journey to financial security is no different.

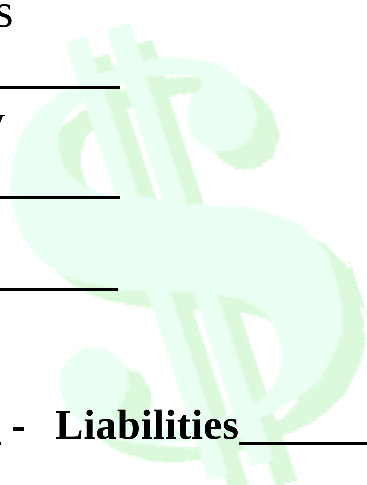
- Figure out on paper your current situation—what you own and what you owe.

- Create a "net worth statement." On one page, list what you own. These are your "assets." And on the other side list what you owe other people, your "liabilities" or debts.

Your Net Worth Statement

Assets – Current Value:
1. Cash ________________
2. Checking ____________
3. Savings _____________
4. Cash value of life insurance ______________
5. Retirement accounts _____________________
6. Real estate ___________
7. Home _______________
8. Other investments _____________________
9. Personal property _____________________

TOTAL_______________



Liabilities – Amount:
1. Mortgage _____________
2. Balance ______________
3. Credit cards ___________
4. Bank loans ____________
5. Car loans _____________
6. Personal loans _________
7. Other ________________

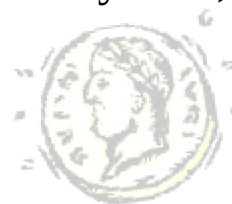
TOTAL________________

Subtract your liabilities from your assets. If your assets are larger than your liabilities, you have a "positive" net worth. If your liabilities are greater than your assets, you have a "negative" net worth.

Assets______________ - **Liabilities**______________ = **Net Worth**______________

Know your income and what you spend

Step 3: Write down what you and others in your family earn, and then your monthly expenses.



- Know your income and what you spend

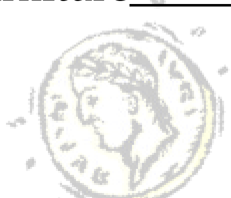
- Include a category for saving and investing. What are you paying yourself every month? Many people get into the habit of saving and investing by following this advice: Always pay yourself or your family first. Many people find it easier to pay themselves first if they allow their bank to automatically remove money from their paycheck and deposit it into a savings or investment account. That way they are never tempted to spend the money before they pay themselves first.

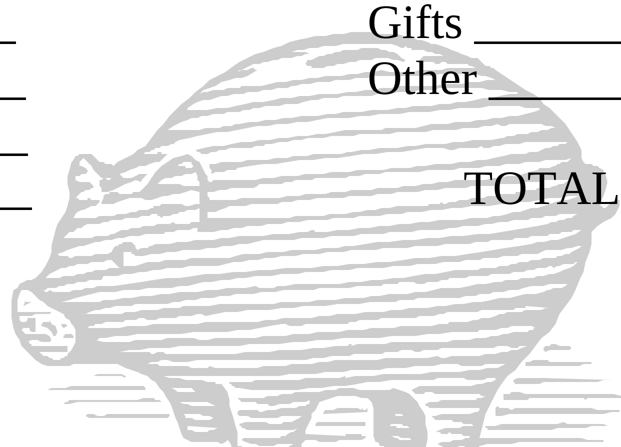
- Monthly Income and Expenses:

Income ________
Expenses______
Savings ________
Investments _____
Housing_________
    rent or mortgage ______
    electricity ______
    gas/oil _________
    telephone ______
    water/sewer_____
    property tax_____
    furniture_______

Food ___________
Transportation___
Loans __________
Insurance _______
Education _______
Recreation ______
Health care ______
Gifts ___________
Other __________

TOTAL ___________





Understand the Two Ways to Make Money

Step 4: Research and understand how to increase your wealth. Primarily:

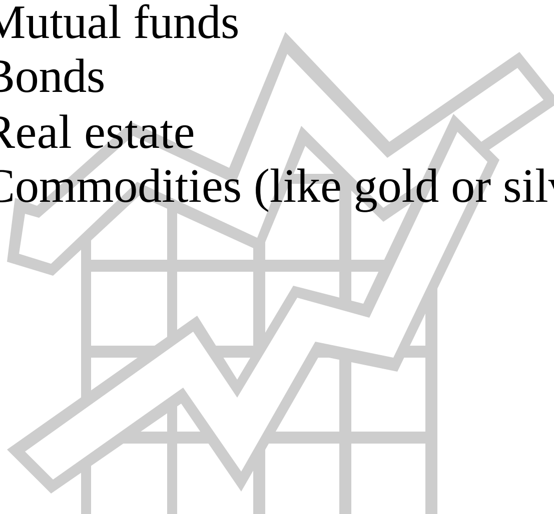
1. You work for money.

2. Your money works for you.

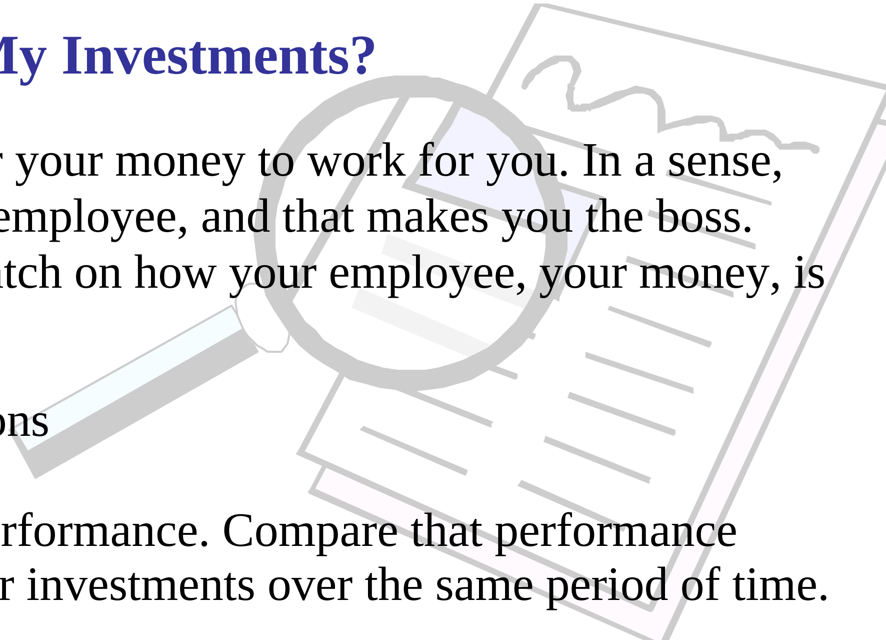
- Products that earn interest or dividends:
    - Savings accounts
    - Some checking accounts
    - Certificates of deposit
    - Stocks
    - Bonds

- Products that could increase or decrease in value:
    - Stocks
    - Mutual funds
    - Bonds, if you sell them before they are due

- Products that could do both:
    - Stocks that earn dividends
    - Mutual funds
    - Bonds
    - Real estate
    - Commodities (like gold or silver)



How Should I Monitor My Investments?



Investing makes it possible for your money to work for you. In a sense, your money has become your employee, and that makes you the boss. You’ll want to keep a close watch on how your employee, your money, is doing.

- Look at the stock quotations

- Check an investment’s performance. Compare that performance against an index of similar investments over the same period of time.

- Compare the fees and commissions that you’re paying to what other investment professionals charge.

- Pay close attention every time you send your money somewhere else to work. Every time you buy or sell an investment you will receive a confirmation slip from your broker. Make sure each trade was completed according to your instructions. Make sure the buying or selling price was what your broker quoted.

- Make sure the commissions or fees are what your broker said they would be.

- Watch out for "unauthorized" trades in your account. If you get a confirmation slip for a transaction that you didn’t approve beforehand, call your broker. It may have been a mistake. If it happens more than once, or if your broker refuses to correct it, call the SEC or your state securities regulator.

- Remember, too, that if you rely on your investment professional for advice, he or she has an obligation to recommend investments that match your investment goals and tolerance for risk. Your investment professional should not be recommending trades simply to generate commissions. That’s called "churning," and it’s illegal.

How Can I Avoid Problems?

1. Make sure the investment professional and his or her firm are registered with the SEC and licensed to do business in your state. Find out from your state's securities regulator whether the investment professional or the firm have ever been disciplined or have any complaints against them. You can get that number by calling the **North American Securities Administrators Association (NASAA) toll-free at (888) 84-NASAA.**

2. You should also find out as much as you can about any investments that your investment professional recommends. First, make sure the investments are registered. Sometimes a simple phone call to your securities regulator can prevent a lot of heartache.

3. Be wary of promises of quick profits, offers to share "inside information," and pressure to invest before you have an opportunity to investigate. These are all warning signs of fraud.

4. Ask your investment professional for written materials and prospectuses, and read them before you invest. If you have questions, now is the time to ask.

- How will the investment make money?
- How is this investment consistent with my investment goals?
- What must happen for the investment to increase in value?
- What are the risks?
- Where can I get more information?

5. Finally, it's always a good idea to write down everything your investment professional tells you. Accurate notes will come in handy if ever there's a problem.

For More Information

For additional information, you can obtain a brochure entitled, "How do I Investigate?" from the Investor Info Center at www.azinvestor.gov. You can also request a hard copy by contacting the Investor Education Specialist at 602-542-0428.

When investing your money, always remember to…Verify ***Before*** You Buy!

Remember: Investigate <u>before</u> you invest!

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